

## **STATEMENT OF SENATOR HOLLINGS**

**January 20, 1999**

### **Hearing on S. \_\_\_\_, the Air Transportation Improvement Act**

Good Morning. We all know it is vitally important that we reauthorize the Federal Aviation Administration (FAA) and Airport Improvement Program (AIP). The Chairman is starting quickly, and I hope we can have a positive result.

The bill being discussed today is an effort to reauthorize the programs of the Federal Aviation Administration for two years. For a variety of reasons negotiations between the House and Senate unfortunately resulted in only a 6-month extension, expiring at the end of March of this year. In today's global economy, adequate airport facilities are a critical component of any economic development program. The FAA's Airport Improvement Program plays a central role in ensuring that communities have adequate airport facilities. For FY 1998, the FAA received \$1.9 billion. For FY 1999, the FAA would have received \$1.95 billion. Instead, the agency will receive only half of that amount, unless we pass either a short term bill or a long term extension of the program. One course we know can work quickly. The other course is more challenging.

While it is critically important that we work together to pass this vital legislation, I do want to raise an issue of fundamental importance. That is truth in budgeting. I have supported taking trust funds out of the unified Federal budget for many years. This year, there may be an opportunity to actually make it happen. What is good for highways is good for aviation. According to the March 1998 CBO estimates, the Airport and Airway Trust Fund uncommitted surplus was estimated at

\$4.339 billion. It is projected to rise to \$13.419 billion by the end of FY 2000 and to \$79.325 billion by FY 2008. These numbers may change in the next estimate, but no matter what, we cannot afford to short change the FAA. We are collecting the taxes, but are not giving people what they expect, what they paid for, or what they deserve.

We know that the FAA needs money to buy new computers and to use satellite technology. We can take it from the existing revenues, while continuing the general fund contribution, or we can limp along, giving the FAA a portion of what we all know it needs. If we do that there are consequences, and the fault is ours, not the agency's. It is that simple.

There are difficult problems facing the 106th Congress. Our constituents are demanding reasonable fares. Competition can work well to give us reasonable fares, but it has also created unfortunate anomalies. Look around the country -- in the 1980's, the Department of Transportation approved every single merger that was proposed. Now we have a consolidated industry, with the big 3 air carriers accounting for nearly 55-60% of the market, and the Northwest-Continental alliance accounting for another 16-17%.

Over the years, I have asked the General Accounting Office to look at fares at small and medium hubs, places like Charleston, S.C. They reported that fares were in fact higher, on average at Charleston, at Greenville, and many other small communities. Last week, the Department of Transportation reported that Charleston had the 5th highest air fares in the country. I did not realize we were 5th, a dubious honor, but I knew they were high. We have a deregulated air transportation system,

dependent upon mega-carriers for service, and beholden to them on fares. Without a hub system aggregating traffic, small communities would not receive the service they do today. Yet, that same ability allows the carriers to place the small towns at their mercy. Our economy and ability to grow, to attract new businesses, are now highly dependent upon those same carriers. A low cost carrier may come into a market, cause a ripple in lowering the fares, and then be driven out. We had that with Air South. Getting service to one of the four slot-controlled airports, while important for that route, will not result in lower air fares for the rest of the markets. The average may drop overall, but the statistics do not then tell the real story. Determining how we address this problem will be difficult, but it must be done.

There also are a number of issues important to aviation employees and others that must be addressed as we move through the legislative process. For example, issues involving foreign repair stations must be examined, and the bill includes a task force to address this issue. FAA employees must once again be granted access to the Merit System Protection Board and a Universal Access System must be authorized. Whistle-blower protection is another important issue. I look forward to working with Chairman McCain, Chairman Gorton, and Ranking Member Rockefeller toward meeting these objectives and ensuring that our final product is a bill that enjoys the broad support of the aviation community.

This bill may not be completed for many months, and we may have to pass a short term extension to make sure that the money for airports does not get tied up. Nevertheless, I know that the Chairman is anxious to get us all moving, so let the debate begin and let us move forward expeditiously in order to fund these critically

important programs.